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AZ CORP COMMISSION
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GLEASON PROPOSED AMENDMENT #15

DATE PREPARED: June 1, 2007

COMPANY: Arizona Public Service Company

DOCKET NOS: E-01345A-05-0816, E-01345A-05-0826 and E-01345A-05-0827

OPEN MEETING DATES: June 13, 2007

AGENDA ITEM: U-1

Page 124, line 13, after "conducted" INSERT "between September and December 2005"

Page 128, line 13, after "Finding" INSERT "(issued in April 2005)"

Page 129, line 16, after "unable" INSERT "to"

Page 130, STRIKE lines 15 through 23

STRIKE page 131

Renumber footnotes to conform

Page 132, STRIKE lines 1 through 16 and INSERT:

"After reviewing APS' and Staff's arguments, we conclude that APS' actions surrounding the October RWT outages do not reach the level of imprudence. Dr. Mallet concluded that the reason for the outage arose from a new question from the NRC and that APS should not have identified the question regarding air entrainment earlier. Even though Dr. Mallet was not making a prudence determination, his conclusions as the senior NRC official involved with the outage should be given substantial weight in our consideration of prudence. Further, although the NRC was critical of some of APS' actions relating to the October event, none of these criticisms show that APS was imprudent.

We also find that APS' actions before and during the supplemental inspection related to the RWT issue were reasonable based on the knowledge and information that APS had and should have had at the time. Even if we agreed that APS should have identified the question about air entrainment earlier in preparation for the supplemental inspection, Palo Verde still would have had to shut down. The NRC did not issue the Yellow finding until April 2005, and therefore, any identification of RWT system issues in response to this finding would have occurred

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during peak months, and could have had a much greater economic impact on Arizona ratepayers.

In sum, we find that APS was not imprudent with respect to the October RWT outages. Accordingly, we will allow recovery of the replacement power costs associated with those outages."

Pages 132 and 133, amend Section XIII.G (relating to surcharge for outage costs) to conform

Page 145, line 20

STRIKE: "personnel"

INSERT: "management"

Page 146, STRIKE lines 12 through 15, INSERT a new Finding of Fact No. 115 to read:

"115. We find that the Unit 2 and Unit 3 October 2005 outages were not due to imprudence and that APS' actions before and during the supplemental NRC inspection related to the RWT issue were reasonable and prudent based on the knowledge and information APS had and should have had at the time.⁹⁶"

Make all other conforming changes